

FY12 Southwest Economic Development Committee Recommendations September 15, 2011

The Commission received 21 proposals for Southwest Economic Development funds by the announced application date of July 15, 2011 and two late-filed proposals. The Committee met September 15th and adopted the following funding recommendations from an available balance of \$10,052,001.

Req #	Organization Name	Project Title	Request Amount	Committee recommendation
2419	Town of Abingdon	Implementation of Abingdon Artisan Center	\$832,210	Tabled
2412	Birthplace of Country Music Alliance	Final Funding for Completion of Birthplace of Country Music Cultural Heritage Center	\$2,200,000	\$1,700,000
2391	Bristol Virginia Utilities Authority	BVU Southwest Virginia Last Mile Fiber Expansion Project	\$23,114,440	\$1,800,000
2378	Town of Glade Spring	Glade Spring Salt Trail Extension	\$297,432	Tabled
2348	Hiltons Outdoor Park, Inc.	Hiltons Outdoor Park Improvements	\$119,450	Tabled
2383	Konnarock Retreat House	Konnarock Retreat House Rehabilitation and Reuse	\$624,965	Tabled
2376	Town of Nickelsville	Nickelsville Community Multi-Use Medical Facility Phase II	\$430,000	Tabled
2435	Russell County IDA	Invesys	\$1,000,000	\$1,000,000
2424	Scott County	Keith Memorial Park Lighting Project	\$189,000	Tabled
2356	Scott County Economic Development Authority	Scott County Riverside Development Phase I & II	\$5,785,418	\$220,000
2440	Scott County Economic Development Authority	Buildout at Crooked Road Tech Center for Prospect	\$108,000	\$108,000

2355	Scott County Telephone Cooperative	Sandy Ridge Regional Tobacco Commission FTTP Project	\$1,786,750	\$1,000,000
2375	Settlers Museum Foundation	Settlers Museum of Southwest Virginia Enhancement Project -- Phase II	\$70,000	\$70,000
2418	Smyth County Industrial Development	Expand & Advance PDP	\$207,000	\$207,000
2364	University of Virginia	Southwest Telehealth	\$882,344	Tabled
2360	Virginia Coalfield Coalition	Installation of Fiber-Optic Infrastructure, Electronics, Towers and Data Backhaul Capacity for Project with Wireless Providers in SWVA	\$2,500,000	\$2,500,000
2351	Washington County Fairground Inc	Washington County Fairground Road Project	\$147,500	\$147,500
2390	Whites Mill Foundation	"Restore/Reconstruct Water Wheel Mechanisms, Flume, Mill Raceway, Hurst Frame, and Dam to Allow Water to Mill Wheel to Demonstrate Milling of Corn Products	\$43,350	\$43,350
2403	Wise County IDA	Wise Inn Restoration & Redevelopment	\$1,250,000	\$1,250,000

total (23 requests/12 recommendations)	\$44,096,669	\$10,048,850
Balance available before/after recommendations	\$10,052,001	\$6,151

Birthplace of Country Music Alliance

Final Funding for Completion of Birthplace of Country Music Cultural Heritage Center - #2412

\$2,200,000.00 requested

Project Description provided by applicant: The Birthplace of Country Music Alliance requests \$2.2 million for final funding of its Cultural Heritage Center project. This funding will allow BCMA to complete construction and open the facility. The organization stands ready to complete interior construction, hire staff, finalize and construct exhibits, and open to the public. At present, we have completed the exterior renovations to the building and utilities, and plans are in hand to complete the project. By matching the New Market Tax Credits of \$2.2 million, this support from the Commission will unlock the entire \$10.8 million to begin our final phase of construction in early 2012 and will enable us to open the doors to the CHC.

This Center will serve as a major tourist destination for the region, drawing at least 75,000 visitors per year and, according to an economic impact study produced by the University of Virginia's Weldon Cooper Center, over a five year period, the new facility will, at a minimum, have an economic impact of over \$43,232,806 to the region and generate \$1,041,253 in direct tax revenue that will flow into local and state coffers. When the project is complete, the facility should enable the organization to sustain itself over the long-run. Once operational, the organization will be able to access diverse streams of revenue as income would come from many sources including admissions, gift shop sales, events, programming, lectures, classes, space rental, and corporate support, helping the organization become financially stable and self-sufficient.

Staff evaluation: The Commission has already committed \$2.4 million to this project, and much progress has been made in securing other funding sources for this \$10.9 million project since the largest of those TICR grants, a \$1.7 million Special Projects construction grant, was awarded in July 2009. Supplemental information from the applicant indicates several funding opportunities remain open, including naming opportunities, an Appalachian Regional Commission proposal to be submitted this month, and a private capital campaign that is underway ("Friends of 1927").

Committee recommends award of \$1,700,000.

Bristol Virginia Utilities Authority

BVU Southwest Virginia Last Mile Fiber Expansion Project - #2391

\$23,114,440.00 requested

Project Description provided by applicant: The grant is being requested by BVU to construct fiber to the premise ("FTTP") and fixed wireless broadband infrastructure from its existing middle mile infrastructure network throughout southwest Virginia. BVU proposes to add 2,910 customers to its high speed fiber optic network over a one year Virginia Tobacco Commission ("VTC") funding period. BVU has developed a 10-year plan for this project and respectfully requests the VTC to continue the long-standing successful partnership to continue the deployment of broadband to southwest Virginia. The 10-year plan proposes to provide FTTP and fixed wireless broadband service to approximately 30,000 unserved or underserved homes and businesses. The plan will provide FTTP and fixed wireless broadband service in the following southwest Virginia counties: Bland, Buchanan, Dickenson, Russell, Smyth, Russell, Washington and Wythe, and potentially Wise County, Virginia

Staff evaluation: This request far exceeds the budgeted funding capacity of the Southwest Committee, and BVU has stated it is open to alternative funding mechanisms such as establishing a \$23 million bank line of credit with TICR agreeing to pay annual principal and interest payments. It would fund 25% of a ten year plan to connect 29,506 customers in an eight-county area at an overall cost of \$783 TICR dollars per customer, matched with \$68 million of BVU funds that would primarily be invested in the latter years as operating revenues grow (as BVU adds customers over the ten year period it would reinvest operating revenues and reduce the percentage of TICR funds used each year). The first year of the plan involves \$5 million of TICR funds matched by \$2.7 from BVU to connect 2,950 customers (nearly \$1,700 of TICR funds for equipment, personnel and plant per customer). Twenty percent of customers are assumed to be businesses. BVU has received more than \$28 million in TICR grants to date, not including grants to the Cumberland Plateau network operated by BVU, and currently serves 11,000 customers. The most recent grant of \$5.6 million

from the TICR Reserve fund matched a \$22 million NTIA middle mile grant that is 16% complete and scheduled for completion in July 2013. That middle mile network would serve as the backbone to establish the proposed last mile connections.

Committee recommends award of \$1,800,000.

Russell County Industrial Development Authority

Invesys - #2435

\$1,000,000.00 requested

Project Description provided by applicant: Your funds will be used in site preparation for an approximately a ten (10) Acre site in Cumberland Plateau Regional Industrial Park. We have proposed to build-to-suit a 90,000 sq. ft. manufacturing building with a 5,000 sq. ft. office area for project Invesys offering both a 10 yr. & 15 yr. tripple net lease. The initial employment is expected to be 125.

Staff evaluation: This proposal was late-filed on August 15th to assist with an active VEDP economic development prospect - a company which is currently operating in another state. TICR funds would be combined with VACEDA funds (\$1.4 million) for site preparation costs totaling up to \$2.5 million. A \$3-5 million private capital investment is anticipated, but sources of funds to construct an IDA-owned building to be leased to the company are not discussed in the grant proposal (presumably it would be financed from lease revenues). VEDP project leaders report that in late-August the company placed this project on hold for 12 months. The IDA wishes to pursue development of this site for this or other future prospects, which is consistent with numerous previous TICR grants to provide graded shovel-ready sites.

Committee recommends award of \$1,000,000 contingent on the proposed amount of matching funds to complete this phase of grading.

Scott County Economic Development Authority

Scott County Riverside Development Phase I & II - #2356

\$5,785,418.00 requested

Project Description provided by applicant: This project will result in the development of Phase I and Phase II of the Riverside Development by the Scott County EDA. The Riverside Development (Bray Property) is located adjacent to the Town of Weber City Town Limits at the US Highway 23 crossing of the Holston River. This 90+ acre parcel of land has been in private ownership until it was offered to the EDA recently for a purchase price of \$2 million. Given the economic development potential of this highly visible location, the EDA/County purchased the property in early 2011. The ability of the County to secure grant funding to develop this site will make it much more marketable to any potential prospects who may be interested.

Staff evaluation: The property sketches included in the application show two pads of 1- and 8-acres fronting Rt 23 that may be candidates for retail development, but later phases in the property's interior appear better suited for technology or industrial uses. At this time basic engineering of this

property appears to be the primary need to assess development opportunities (\$243,443 shown in project budget as "basic engineering - design for all phases").

Committee recommends award of \$220,000 for 90% of basic engineering for all phases.

Scott County Economic Development Authority

Buildout at Crooked Road Tech Center for Prospect - #2440

\$108,000.00 requested

Project Description provided by applicant: Funding will be used to build-out approx. 2,000 sq. ft. of space in the Crooked Road Tech Center for a technology-based company that is currently leasing a small area but has expressed a need to expand. This will provide an additional total investment by the company within three years in the facility of approximately \$1 million and 20 new jobs.

Staff evaluation: The proposal was late-filed on September 1st to assist a proposed business expansion. Total project cost is unclear given the conflicting numbers in the proposal (\$120,000 vs. \$132,000) but the cost per square foot of \$60-66 appears realistic for improvements to the unfinished shell space to accommodate an expanding tenant that promises new high-tech jobs. Staff has requested the terms of the proposed lease to assess the cash flow and possible debt financing, but as this proposal entails improvements to a publicly-owned building in exchange for the creation of new high-tech jobs staff suggests a performance agreement is not necessary.

Committee recommends award of \$108,000.

Scott County Telephone Cooperative

Sandy Ridge Regional Tobacco Commission FTTP Project - #2355

\$1,786,750.00 requested

Project Description provided by applicant: Scott County Telephone Cooperative (SCTC) is proposing to build a FTTP Project in the Sandy Ridge Community located on the Wise County/Dickenson County Line. The total project cost is \$3,736,670.00. SCTC has been awarded a Technical Assistance Grant from the Rural Utilities Service (RUS) in the amount of \$199,920.00 to begin engineering the project, which is included in the total cost of this project. SCTC has applied for a Community Connect Grant in the amount of \$1,500,000.00, which will build the Dickenson County side of this project. RUS has completed a field review of the Community Connect grant application to determine the availability of Broadband Service. RUS's determination was that there was no broadband availability in the proposed service area. SCTC will pay \$250,000.00 from cash on-hand. SCTC is applying for \$1,786,750.00 from the Virginia Tobacco Commission to complete this project on the Wise County side of this community. The matching funds amount to 52% (\$1,949,920.00) of the project cost. The Tobacco Commission funds requested (\$1,786,750.00) will make up 48% of the project cost. (Additional Project Description is included in Uploads)

Staff evaluation: Of the 730+ potential customer premises in the total project area, 425 are in the Wise County section to be funded by TCR. The projected per premise cost is more than \$4,200 to

serve the customers who are expected to sign on with SCTC, making this appear to be a candidate for a wireless solution.

Committee recommends award of \$1,000,000.

Settlers Museum Foundation

Settlers Museum of Southwest Virginia Enhancement Project -- Phase II - #2375

\$70,000.00 requested

Project Description provided by applicant: The Settlers Museum of Southwest Virginia is a unique, open-air museum located on 67 acres of U.S. Forest Service (USFS) land approximately two miles from I-81 exit 54 in Smyth County. The Settlers Museum was founded in 1987 and is a nonprofit, donor-supported institution. The Settlers Museum Foundation secured a long-term lease to operate on USFS property. Phase I of the Enhancement Project consisted of hiring a consultant to develop a Master Plan that includes a physical assessment of the historical farm structures and a prioritized list of projects. Phase II of the Enhancement Project will focus on the most immediate need of the Settlers Museum, the maintenance and stabilization of the eleven historic farm structures. The structures at the Museum are over 110 years old, have never been relocated, and represent a typical Southwest Virginia farm during the 1890s. These structures must be stabilized to prevent major structural failures that may occur due to the age of the buildings. If a primary part of any of the buildings were to collapse, the majority of the building will need to be significantly reconstructed or demolished in whole. Without these structures, the Settlers Museum of Southwest Virginia, a key heritage tourism attraction in the region, would cease to exist. The Settlers Museum operates on a very limited budget of approximately \$25,000 annually. The majority of this revenue comes from donations and membership fees. The Settlers Museum Foundation does not have the funding required to stabilize the historic farm structures without grant assistance.

Staff evaluation: Due to the nature of the project (stabilization of existing historic structures) only modest increases in visitors and visitor spending are projected. However the Museum is a significant destination venue in the heritage tourism economy of Smyth County and Southwest Virginia. Previous support for this project was provided through a \$17,500 Reserve Fund award to assist with 50% of the cost of the Master Plan. This request is comparable to the Commission's 2004 grant to White's Mill for stabilization that is referenced in proposal # 2390. This phase will almost surely lead to future request(s) to enhance the site, as described in the Museum's new master plan, which represent opportunities to add measurably to the current 1,300 annual visitors. The proposed US Forest Service matching funds could alternatively be provided through a potential request to the Appalachian Regional Commission.

Committee recommends an award of \$70,000 contingent on a 1:1 match provided by the pending USDA Forest Service award or other source(s).

Smyth County Industrial Development

Expand & Advance PDP - #2418

\$207,000.00 requested

Project Description provided by applicant: Power Distribution Products (PDP) in Chillhowie Virginia is a new company that has been growing exponentially since its inception. At present there are 35 employees working to meet contract agreements with clients. The potential for generating more contracts and more jobs for local citizens is high; however facility expansion, equipment updates and efficiency adjustments to practice and procedure are needed. The Smyth County Industrial Development Authority is requesting funds to support PDP's facility expansion, modifications to transformer designs and for purchasing equipment. Receiving assistance to implement "Project Expand Advance" would create a need for PDP to hire approximately 20-30 new employees to execute the plan, at wages ranging from \$9-15/hour.

Project Details:

Facility expansion of Transformer Section of plant

50% expansion of building space

TOTAL COST: \$100,000.00

Fabrication of Sand Blast Building and purchase equipment

30'X20' modular building with sealed area to house sand blaster

Purchase-compressed air tank

TOTAL COST: \$100,000.00

Hiring Transformer Cost Reduction Consultant - Specialist to review and make design modifications to present transformer, ultimately yielding significant reductions in costs for services to clients making PDP more competitive in the market place.

TOTAL COST: \$30,000.00

TOTAL PROJECT COST \$230,000.00

Timeline - All elements of the project are to be completed within 12months from start date.

Projected start date: September 1,2011 ending approximately September 2012.

Staff evaluation: This proposal from the IDA to assist an existing company that serves the mining industry involves the retention of 35 current jobs and a proposed addition of 20-30 new jobs at wages ranging from \$9 to \$15 per hour. The project does not involve sufficient private capital investment to be TROF-eligible. However the company and IDA have expressed willingness to execute a performance agreement to confirm job creation and protect the ownership of Commission-funded assets (building expansion and equipment).

Committee recommends award of \$207,000 contingent on an executed performance agreement to ensure job creation and protect public interest in TICR-funded assets.

Virginia Coalfield Coalition

Installation of Fiber-Optic Infrastructure, Electronics, Towers and Data Backhaul Capacity for Project with Wireless Providers in Southwest Virginia - #2360

\$2,500,000.00 requested

Project Description provided by applicant: In September 2010, the Virginia Coalfield Coalition applied for a \$2.5 million grant to be spent in 2011 as part of a multi-year \$7.5 million project to deploy a 4G wireless network in seven counties in the Southwest region. As noted in the initial grant application 2115, a 4G network will dramatically expand the reach of broadband in the region and improve existing communications capabilities. The network is being deployed in collaboration with a wireless operator who is committing to upgrade their radio transceivers to the state of the art 4G Long Term Evolution mobile communication standard, if the VCC provides the fiber backhaul to the existing towers and new Build-To-Suit (BTS) towers. The project is being completed in 3 phases.

*Phase 1, 2011 \$2.5 M (approved October 28, 2010)

*Phase 2, 2012 \$2.5 M

*Phase 3, 2013 \$2.5 M

There are three principal activities to be undertaken in the overall project. Each activity spans multiple years in the project phasing:

*Upgrade 27 existing towers with fiber optic backhaul capability

*Build 11 new build-to-suit towers in specified locations

*Build 6 new build-to-suit towers in yet to be specified locations

The completion of the initial 38 defined towers will complete the wireless operators initial "search ring" and satisfy the contractual requirements of the wireless operator. The balance of the 6 build-to-suit towers will be located after the network is turned up and wave propagation studies determine where the six towers need to be located to enhance/complete the search ring.

Staff evaluation: This multi-phase project was awarded Phase 1 funds in FY11 as the first of three anticipated requests for \$2.5 million annually, and the Southwest Economic Development budget was crafted this year in anticipation of this proposal so that the Coalition can fulfill its obligation to the wireless operator to provide the full three-phase network. The wireless operator desired to have 27 sites turned up by October 1, 2011, and engineering is well-underway but implementation is delayed by negotiations for use of the Lenowisco fiber network (a proposal is being developed to transfer ownership and operations of that network to Powell Valley Electric Cooperative). Assuming there will be positive resolution of the Lenowisco issue (a mediated solution has been agreed to by all parties), and in order to expedite this multi-year commitment to a regional demonstration of 4G technology.

Committee recommends award of \$2,500,000.

Washington County Fairground, Inc.

Washington County Fairground Road Project - #2351

\$147,500.00 requested

Project Description provided by applicant: Commission funds will be used to complete an entry/exit road to the Washington County Fair ground.

Staff evaluation: This road project was initially funded with a \$95,000 grant from the Southwest Committee in April 2006. That grant has not yet been used and has been extended twice by the Committee. It also represents the entire matching source for the project, meaning that this proposal does not meet Commission guidelines for having at least 10% of project costs from other sources. The road is intended to relieve congestion at livestock events and other farm-related activities at the Fairgrounds, which better aligns with Agribusiness program outcomes. Supplemental information received September 9th indicates the total project cost is estimated to be closer to \$284,000 and matching funds may be available from the County.

Committee recommends award of \$147,500 and grants an additional one-year extension on related grant #1122 to a new end date of 12/31/2012.

Whites Mill Foundation

"Restore/Reconstruct Water Wheel Mechanisms, Flume, Mill Raceway, Hurst Frame, and Dam to Allow Water to Mill Wheel to Demonstrate Milling of Corn Products - #2390

\$43,350.00 requested

Project Description provided by applicant: The Mill and associated facilities can serve as a major regional tourism destination for the demonstration of 1700's-1800's era 'milling activity' for use by other public and private entities. Restoration/Reconstruction of the Water Wheel Mechanism, Hurst Frame, Flume, Mill Raceway, and Dam to allow the return of water to the Mill Wheel is strategic and significant as it adds the last remaining method milling at the mill using the millstones, dating to the early 1700's. Attached are the 'Rehabilitation and Site Development Master Plan' for White's Mill, developed by Hill Studio, P.C., Millwright Drawing of the Flume Reconstruction, and detailed cost estimates of the proposed project to make the Water Wheel and Millstones functional and operational.

Activities include:

Phase 2: a) Dam repair, b) Flume gating, c) Water Wheel re-positioning and leveling, d) Hurst Frame repair, e) Erection/repair of posts for countershaft, f) Replace bull gear and Re-position pinion gear shaft.

Phase 3: 1) Mount countershaft: a) Re-pour bearings if necessary, b) Install tensioners, c) Purchase and attach new belts;

- 2) Repair/replace trundle gear under large millstones;
- 3) Replace or tighten cogs on wooden cog gear if necessary;
- 4) Repair/reposition millstone crane;
- 5) Repair stone buhr mill: a) Dismantle, b) Repair/replace upper and lower bearings, c) Check shaft wear, and drive iron, rynd, damsel,

- d) Sharpen stones, e) Repair wooden parts, if necessary.
- 6) Repair elevator from stones: a) Rebuild boot and head where needed, b) Replace belt and cups if needed.
- 7) Incorporate/repair meal bolter with elevator.

Staff evaluation: The Commission previously assisted White's Mill with a \$50,000 grant in 2004 to stabilize the mill building. This modest proposal is in contrast to much larger and comprehensive requests from the applicant in past years. This phase of renovations would repair the core function of the mill, which currently attracts a reported 15,000 visitors per year. Staff has visited the mill and reviewed guest logs that confirm an impressive array of visitors from several states beyond Virginia. The proposed 10% increase in visitation appears to be a reasonable expectation and significant visitor impact in view of restoring the full function of a working grist mill and providing a source of operating revenues from the sale of products milled on site. The applicant has proposed a dollar-for-dollar match that may alternatively qualify for Appalachian Regional Commission funds.

Committee recommends award of \$43,350 contingent on dollar-for-dollar matching funds.

Wise County IDA

Wise Inn Restoration & Redevelopment - #2403

\$1,250,000.00 requested

Project Description provided by applicant: The Applicant, the Wise County Industrial Development Authority, proposes to restore and redevelop the historic Wise Inn property, situated in the central business district of the Town of Wise. Once renovation and construction activities are complete, the Inn will serve as an upscale lodging, restaurant and meeting facility designed to support regional tourism, education and economic development efforts. VTICRC funds requested herein -- combined with local, state and federal dollars -- will be utilized toward renovation and construction costs. Additional information is included in the Additional Project Description attachment.

Staff evaluation: The Commission has previously supported this project with two Southwest Economic Development grants in 2008-09 totaling \$350,000 to assist with exterior stabilization and repairs to the IDA-owned structure. This request represents last dollar funding for a project that has leveraged significant federal, state, local, and private funds since those previous TICR grant proposals. An operator that will make an equity investment in the project has also been secured through an RFP process. The requested funds close a gap to construct a modern lodging addition which is critical to the project's future revenue and ultimate success. The project presents an issue of funding a commercial operation that competes directly with existing private for-profit hoteliers in the region. The case for public benefit that justifies further TICR investment is validated through the re-use of a designated state and national historic landmark (with accompanying historic and New Market tax credits), new job creation (30-40), private capital investment (\$2 million), new public tax revenues, a coalition of public funders supporting the project, and the potential to use the facility as a training site for hospitality curriculum in conjunction with UVA-Wise.

Committee recommends award of \$1,250,000. ■